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Quebec Corporation Tax — Deduction of Taxes under Sec. 9

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Price 50c

ERRATUM

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CHANGES IN THE INCOME TAX ACT, 1949

Maximum Deduction For Medical Expenses

Paragraph 9(c) which states that the maximum deduction for medical expenses under s. 26 (b) (vii) has been increased from \$1500 to \$2000 for persons possessing marital or equivalent status is in error.

There has been no increase in the maximum deduction for medical expenses permitted such persons: it remains at \$1000 as under ITA 1948, c. 52, s. 26(b)(vii).

THE INCOME TAX ACT CONSOLIDATED 1949

The Dominion Association of Chartered Accountants announces publication of a volume containing the new Income Tax Act which consolidates the recently enacted amendments. This volume may be purchased by members of the Association and others at \$1.50 per copy. Additional copies may be obtained at \$1.00 per copy.

THE TAX REVIEW

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By The Dominion Association of Chartered Accountants

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THE TAX REVIEW

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[1950]

January

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THE INCOME TAX REGULATIONS

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P.C. 6385, December 21, 1949

HIS EXCELLENCY the Governor General in Council, on the recommendation of the Minister of National Revenue and by virtue of the powers conferred by sec. 106 of the Income Tax Act, 1948, c. 52, is pleased to make the annexed regulations entitled "The Income Tax Regulations, Parts XI, XII, XIII and XIV, and Schedules B, C, D and E to the Regulations" applicable to the 1949 and subsequent taxation years, and the said regulations are hereby made and established accordingly.

Canada Gazette, December 22, 1949

PART XI

ALLOWANCES IN RESPECT OF CAPITAL COST

Sec. 1100

1100. (1) Under sec. 11(1)(a) of the Act, there is hereby allowed to a taxpayer, in computing his income from a business or property, as the case may be, deductions for each taxation year equal to

(a) such amount as he may claim in respect of property of each of the classes numbered 1 to 12, inclusive, in Sch. B to these Regs. not exceeding in respect of property

- (i) of class 1, 4%,
- (ii) of class 2, 4%,
- (iii) of class 3, 5%,
- (iv) of class 4, 6%,
- (v) of class 5, 10%,
- (vi) of class 6, 10%,

(vii) of class 7, 15%,
(viii) of class 8, 20%,
(ix) of class 9, 25%
(x) of class 10, 30%
(xi) of class 11, 50%, and
(xii) of class 12, 100%
of the undepreciated capital cost to him as of the end of the taxation year (before making any deduction under this subsection for the taxation year) of property of the class;

(b) where a taxpayer has property of the class numbered 13 in Sch. B to these Regs. which was acquired by him for the purpose of gaining or producing income, such amount as he may claim not exceeding the least of
(i) one-fifth of each item of the capital cost thereof to him,

- (ii) the amount for the year obtained by apportioning each item of the capital cost thereof to him equally over the period of the lease unexpired at the time the cost was incurred, or
- (iii) the undepreciated capital cost to him as of the end of the taxation year (before making any deduction under this subsection for the taxation year) of property of the class;
- (c) such amount as he may claim in respect of a property of the class numbered 14 in Sch. B to these Regs. not exceeding the lesser of
 - (i) the amount for the year obtained by apportioning the capital cost to him of the property equally over the life of the property remaining at the time the cost was incurred, or
 - (ii) the undepreciated capital cost to him as of the end of the taxation year (before making any deduction under this subsection for the taxation year) of property of the class;
- (d) such additional amount as he may claim not exceeding in the case of property described in each of the classes in Sch. B to these Regs., the lesser of
 - (i) one-half the amount that would have been allowed to him in respect of property of that class under sec. 6(n) (ii) of the *Income War Tax Act* if that Act were applicable to the taxation year, or
 - (ii) the undepreciated capital cost to him as of the end of the taxation year (before making any deduction under this paragraph for the taxation year) of property of the class;
- (e) such amount as he may claim not exceeding the amount calculated in accordance with Sch. C to these Regs. in respect of the capital cost to him of a timber limit or a right to cut timber from a limit;
- (f) such amount as he may claim not exceeding the amount calculated in accordance with Sch. D to these Regs. in respect of the capital cost to him of property of the class numbered 15 in Sch. B to these Regs.;
- (g) such amount as he may claim not exceeding the amount calculated in accordance with Sch. E. to these Regs. in respect of the capital cost to him of an industrial mineral mine, except
 - (i) a coal mine, and
 - (ii) a mine where the Minister of Mines and Resources has certified that the mineral is contained in a non-bedded deposit; and
- (b) such amount as he may claim in respect of property of a class established by the *Maritime Coal Production Assistance Act* not exceeding 30% of the undepreciated capital cost to him as of the end of the taxation year (before making any deduction either under this subsec. or under sec. 5 of the said Act for the taxation year) of property of the class.

(2) For the purpose of computing income for the 1949 taxation year, if the allowance under subsec. (1) is less than the allowance that would be made if the law and practice applicable to the 1948 year under the *Income War Tax Act* were applicable, the taxpayer may deduct, in lieu of the allowance under subsec. (1), such part of the capital cost of the taxpayer's property of the classes described in Sch. B to these Regs. as, in the opinion of the Minister, would be allowed as depreciation for the year if the law and practice applicable to the 1948 taxation year under the *Income War Tax Act* were applicable to the year.

(3) Where a taxpayer has, in a taxation year, otherwise than on death, disposed of all property of a prescribed class that he had not previously disposed of and has no property of that class at the end of the taxation year, he is hereby allowed

a deduction for the year equal to the amount that would otherwise be the undepreciated capital cost to the taxpayer of property of that class at the expiration of the taxation year.

(4) Where the taxpayer is a corporation, the aggregate of the allowances under subsec. (1) or (2) shall not exceed the amount deducted in respect of such allowances in computing the income or profit for the taxation year shown on the financial statements presented to the shareholders or members.

(5) Where a taxation year is less than 12 months in duration, the amount allowed as a deduction under subsecs. (1) and (2) shall not exceed that proportion of the maximum amount allowable that the number of days in the taxation year is of 365.

(6) Where under the terms of a lease a tenant has the right to renew the lease for an additional term, the period of the lease unexpired at the time the costs were incurred shall, for the purpose of subsec. (1)(b)(ii), include the next succeeding term for which it may be renewed.

Sec. 1101

1101. (1) Where more than one property of a taxpayer is described in the same class in Sch. B to these Regs. and where

(a) one of the properties was acquired for the purpose of gaining or producing income from a business, and
 (b) one of the properties was acquired for the purpose of gaining or producing income from another business or from the property,

a separate class is hereby prescribed for the properties that

(i) were acquired for the purpose of gaining or producing income from each business, and
 (ii) would otherwise be included in the

class of Sch. B to these Regs.

(2) The percentage prescribed for each class created by subsec. (1) is the percentage that is prescribed for the class in which the properties would otherwise be included.

(3) A reference in sec. 1100(1)(a) of these Regs. or sec. 1103(1) of these Regs. to classes 1 to 12, inclusive, shall be deemed to include a reference to the corresponding separate classes created by subsec. (1).

(4) A reference in sec. 1100(1)(b) of these Regs. to class 13 of Sch. B to these Regs. shall be deemed to include a reference to the corresponding separate classes created by subsec. (1).

(5) For the purpose of this Part and for the purpose of Schs. C and D to these Regs.,

(a) a timber limit or a right to cut timber from a limit shall be deemed to be a separate class of property and,
 (b) where a taxpayer has more than one timber limit or rights to cut timber from more than one limit, each limit or right shall be deemed to be a separate class of property.

(6) For the purpose of this Part and for the purpose of Sch. E to these Regs., where a taxpayer has a mine or more than one mine of the kind described in sec. 1100(1)(g) of these Regs., each mine shall be deemed to be a separate class of property.

Sec. 1102

1102. (1) The classes of property described in this Part and in Sch. B to these Regs. shall be deemed not to include property

(a) the cost of which is deductible in computing the taxpayer's income,
 (b) that is described in the taxpayer's inventory,
 (c) that was not acquired by the tax-

payer for the purpose of gaining or producing income,

(d) that was acquired by an expenditure in respect of which the taxpayer is allowed a deduction from income under sec. 65 of the Act,

(e) that is included in a class established by the *Maritime Coal Production Assistance Act*,

(f) that is included in a class established by the *Canadian Vessel Construction Assistance Act*, or

(g) that was acquired for the purpose of gaining or producing income from farming or fishing.

(2) The classes of property described in Sch. B to these Regs. shall be deemed not to include the land upon which a property described therein was constructed or is situated.

(3) Where the taxpayer is a non-resident person, the classes of property described in this Part and in Sch. B to these Regs. shall be deemed not to include property that is situated outside of Canada.

(4) For the purpose of sec. 1100(1) (b) of these Regs., capital cost includes an amount expended on an improvement or alteration, to a leased property, other than

(a) a building or other structure,
 (b) an addition to a building or other structure, or
 (c) alterations to buildings which substantially change the nature or character of the leased property.

(5) Where the taxpayer has a leasehold interest in a property, a reference in Sch. B to these Regs. to a property that is a building or other structure shall be deemed to include a reference to that part of the leasehold interest acquired by reason of the fact that the taxpayer has
 (a) erected a building or structure on leased land,

(b) made an addition to a leased building or structure, or
 (c) made alterations to a leased property which substantially change the nature or character of the property.

Sec. 1103

1103. (1) In respect of properties otherwise included in classes 2 to 12, inclusive, described in Sch. B to these Regs., if the properties were acquired for the purpose of gaining or producing income from a source that is the taxpayer's chief source of income for the purpose of sec. 13 of the Act, a taxpayer may elect to include all such properties in class 1.

(2) An election under subsec. (1) shall be made by registered letter addressed to the District Office at which the taxpayer customarily files the returns required by sec. 40 of the Act.

(3) To be effective in respect of a taxation year, an election under this section must be made not later than the last day on which the taxpayer may file a return of his income for the taxation year in accordance with sec. 40 of the Act.

(4) An election under this section shall continue to be effective for all subsequent years.

Sec. 1104

1104. Where the taxpayer is an individual and his income for the taxation year includes income from a business the fiscal period of which does not coincide with the calendar year, in respect of the depreciable properties acquired for the purpose of gaining or producing income from the business, a reference in this Part to

(a) "the taxation year" shall be deemed to be a reference to the fiscal period of the business, and
 (b) "the end of the taxation year" shall be deemed to be a reference to the end of the fiscal period of the business.

Sec. 1105

1105. The classes of property provided in this Part and in Sch. B to these Regs.

are hereby prescribed for the purposes of sec. 11(1)(a) of the Act and sec. 20 of the Act.

PART XII

DEDUCTION IN RESPECT OF OIL WELLS, GAS WELLS AND CERTAIN MINES

Sec. 1200

1200. For the purposes of sec. 11(1)(b) of the Act there may be deducted in computing the income of a taxpayer for a taxation year amounts determined as hereinafter set forth in this Part.

Oil and Gas Wells

Sec. 1201

1201. (1) Where the taxpayer operates an oil or gas well or where the taxpayer is a person described as the trustee in sec. 73(1) of the Act, the deduction allowed for a taxation year is 33 1/3% of the profits of the taxpayer for the year reasonably attributable to the production of oil or gas from the well.

(2) Where a person, other than the operator of an oil or gas well and the person described as the trustee in sec. 73 of the Act, has an interest in the proceeds from the sale of the products of the well or an interest in income from the operation of the well, the deduction allowed for a taxation year is 25% of the amount in respect of such interest included in computing his income for the year.

(3) Where an amount received in respect of an interest in the income from the operation of a well is a dividend or is deemed by sec. 73 of the Act to be a dividend, no deduction shall be allowed under subsec. (2) of this section.

(4) In computing the profits reasonably attributable to the production of oil or gas for the purpose of this section a deduction shall be made equal to the

amounts, if any, deducted from income under the provisions of sec. 53 of 1949 (2nd Sess.), c. 25, in respect of the well.

Base and Precious Metal Mines

Sec. 1202

1202. (1) The deduction allowed for a taxation year in respect of a base or precious metal mine operated by the taxpayer is 33 1/3% of his profits for the year reasonably attributable to the production of prime metal from the mine.

(2) Where the value of the output for a taxation year from a precious metal mine operated by the taxpayer is to the extent of 70% or more from gold, in lieu of the deduction allowed under subsec. (1), the deduction allowed for the year is the greater of

- (a) 40% of his profits for the year reasonably attributable to the production of prime metal, or
- (b) \$4 per ounce of gold produced in the year.

(3) In computing the profits reasonably attributable to the production of prime metal for the purpose of this section a deduction shall be made equal to the amounts, if any, deducted from income under the provisions of

- (a) sec. 53 of 1949 (2nd Sess.), c. 25, and
- (b) sec. 1205 of these Regs. in respect of the mine.

Industrial Mineral Mines

Sec. 1203

1203. (1) Where the Minister of

Mines and Resources has certified that the mineral is contained in a non-bedded deposit, the deduction allowed for a taxation year in respect of an industrial mineral mine operated by the taxpayer is 33 1/3% of his profits for the year reasonably attributable to the production of the mineral.

(2) The deduction allowed under subsec. (1) shall not apply in the case of a coal mine.

(3) In computing the profits reasonably attributable to the production of the mineral for the purpose of this section a deduction shall be made equal to the amounts, if any, deducted from income under the provisions of

(a) sec. 53 of 1949 (2nd Sess.), c. 25, and

(b) sec. 1205 of these Regs. in respect of the mine.

Coal Mines

Sec. 1204

1204. The deduction allowed for a taxation year in respect of a coal mine operated by a taxpayer is 10 cents for each ton of coal mined in the year.

Additional Allowance to Certain Mines

Sec. 1205

1205. (1) A taxpayer may also deduct

from the profits for a taxation year reasonably attributable to the operation in Canada of a coal, base metal or precious metal mine or an industrial mineral mine described in sec. 1203 of these Regs., such amount as he may claim, not exceeding 25% of an amount calculated as set forth in subsec. (2).

(2) The amount referred to in subsec. (1) is the aggregate of all expenses incurred by the taxpayer which are reasonably attributable to the prospecting and exploration for and the development of the mine, prior to coming into production in reasonable commercial quantities, but not including

(a) the cost of properties coming within any class prescribed in Part XI of these Regs.,

(b) any expense deducted in computing the income of the taxpayer in the year of expenditure, and

(c) the cost of a leasehold interest.

(3) The amount deductible under subsec. (1) shall not exceed the amount referred to in subsec. (2) minus the aggregate of

(a) amounts deducted under subsec. (1) in a previous taxation year, and

(b) similar amounts deducted in computing income for the purposes of the *Income War Tax Act*, in respect of the mine.

PART XIII

DEDUCTIONS ALLOWED IN RESPECT OF CERTAIN DIVIDENDS

Sec. 1300

1300. For the purposes of sec. 11(2) of the Act, where a shareholder receives a dividend from a corporation carrying on business in Canada the income of which includes mineral profits, the deduction allowed is:

(a) where the mineral profits of the corporation are equal to not less than 25% but less than 50% of its income, an

amount equal to 10% of the dividend;

(b) where the mineral profits of the corporation are equal to not less than 50% but less than 75% of its income, an amount equal to 15% of the dividend;

(c) where the mineral profits of the corporation are equal to not less than 75% of its income, an amount equal to 20% of the dividend.

Sec. 1301

1301. For the purposes of sec. 11(2) of the Act, where a shareholder receives a dividend from a corporation that is not carrying on business in Canada, if the mineral profits of the corporation are equal to not less than 50% of its income, the deduction allowed is 15% of the dividend.

Sec. 1302

1302. Where a person receives an amount deemed to be a dividend by sec. 73(1)(d) of the Act, in lieu of the amount specified in sec. 1300 of the Regs., the deduction allowed is 20% of the amount received.

Sec. 1303

1303. For the purposes of this Part,

(a) "mineral profits" means the aggregate of

- (i) those profits of the corporation which are described in secs. 1201, 1202 and 1203 of these Regs., and
- (ii) dividends received by the corporation in respect of which a deduction is allowed under sec. 1300(c)

for the taxation year immediately preceding the year in which the dividend was declared by the corporation;

(b) "income" means the income of the corporation for the taxation year immediately preceding the year in which the dividend was declared before any deduction is made under the provisions of sec. 11(1)(b) of the Act or under the provisions of sec. 11(2) plus an amount not included in computing the income of the corporation by reason of the provisions of sec. 74 of the Act.

PART XIV**ELECTION BY INVESTMENT COMPANIES****Sec. 1400**

1400. For the purpose of sec. 62(2) of the Act, an election by an investment company to pay tax under Part I of the Act shall be made by forwarding by registered mail to the Deputy Minister of National Revenue for Taxation at Ottawa the following documents in duplicate:

- (a) a letter stating that the corporation elects to pay tax under Part I of the Act, and
- (b) a certified copy of the resolution of the directors of the corporation authorizing the election to be made.

Sec. 1401

1401. An election made under sec. 1400 of these Regs. to pay tax under Part I of the Act shall be revoked by a corporation by forwarding by registered mail to the Deputy Minister of National Revenue for Taxation at Ottawa the following documents in duplicate:

- (a) a letter stating that the corporation revokes its election made under sec. 62(2) of the Act, and
- (b) a certified copy of the resolution of the directors of the corporation authorizing the revocation of the election.

SCHEDULE B

CLASS 1
4 per cent

Property not included in any other class that is

(a) a bridge,	(e) a jetty,
(b) a canal,	(f) a mole, or
(c) a culvert,	(g) a roadway,
(d) a dam	

CLASS 2
4 per cent

Property that is

- (a) electrical generating equipment (except as specified elsewhere in this Schedule),
- (b) a pipeline for oil, gas or water,
- (c) the generating and distributing equipment and plant (including structures) of a producer or distributor of electrical energy, except a property included in class 13 or 14,
- (d) the manufacturing and distributing equipment and plant (including structures) of a producer or distributor of gas, except a property included in class 13 or 14, or
- (e) the distributing equipment and general plant (including structures) of a distributor of water, except a property included in class 13 or 14.

CLASS 3
5 per cent

Property not included in any other class that is

- (a) a building or other structure, including component parts such as electric wiring, plumbing, sprinkler systems, air-conditioning equipment, heating equipment, lighting fixtures, elevators and escalators,
- (b) a breakwater (other than a wooden breakwater),
- (c) a dock,
- (d) a trestle,
- (e) a windmill, or
- (f) a wharf.

CLASS 4
6 per cent

Property that is

- (a) the general plant (including structures) and communication equipment of a telephone or telegraph system,
- (b) the property of a railway system that would otherwise be included in another class in this Schedule, or
- (c) the property of a tramway system that would otherwise be included in another class in this Schedule, except a property included in class 13 or 14.

CLASS 5
10 per cent

Property that is

- (a) an integrated pulp and paper mill, including mill buildings, machinery and equipment but not including hydro-electric power plants and their equipment,
- (b) a sulphite, sulphate or ground wood pulp mill, including buildings, machinery and equipment but not including hydro-electric power plants and their equipment.

CLASS 6
10 per cent

Property not included in any other class that is

- (a) a building of
 - (i) frame,
 - (ii) log,
 - (iii) stucco on frame,
 - (iv) galvanized iron, or
 - (v) corrugated iron,
 construction including component parts such as electric wiring, plumbing, sprinkler systems, air-conditioning equipment, heating equipment lighting fixtures, elevators and escalators,
- (b) a wooden breakwater,
- (c) a fence,
- (d) a greenhouse,
- (e) an oil or water storage tank, or
- (f) a railway tank car.

CLASS 7
15 per cent

Property that is

- (a) a canoe or rowboat,
- (b) a scow,
- (c) a ship as defined in the *Canada Shipping Act*,
- (d) furniture, fitting or equipment attached to a property included in this class (except radar equipment and radio equipment), or
- (e) a spare engine for a property included in this class.

CLASS 8
20 per cent

Property that is a tangible capital asset that is not included in another class in this Schedule except land, or any part thereof or any interest therein, and also excepting

(a) an animal	(b) railway track,
(b) an herb, tree, shrub	(i) railway grading,
or similar growing thing,	(j) a railway subway,
(c) a gas well,	(k) a railway street crossing,
(d) land tile,	(l) a right of way,
(e) a mine,	(m) a timber limit, and
(f) an oil well,	(n) tramway track.
(g) radium,	

CLASS 9
25 per cent

Property that is

- (a) electrical generating equipment, if
 - (i) the taxpayer is not a person whose business is the production for the use of or distribution to others of electrical energy,
 - (ii) the equipment is auxiliary to the taxpayer's main power supply, and
 - (iii) the equipment is not used regularly as a source of supply,
- (b) radar equipment,
- (c) radio transmission equipment, or
- (d) radio receiving equipment that is used in conjunction with radio transmission equipment.

CLASS 10
30 per cent

Property not included in any other class that is

- (a) an automobile,
- (b) an aeroplane,
- (c) cement mixer,
- (d) harness or stable equipment,
- (e) an omnibus,
- (f) a sleigh,
- (g) a tractor,
- (h) a trailer,
- (i) an automotive truck,
- (j) a wagon, and

property that would otherwise be included in another class that is

- (k) a building acquired for the purpose of gaining or producing income from a mine (except an office building that is not situated on the mine property and a refinery),
- (l) contractor's moveable equipment (including portable camp buildings),
- (m) a floor of a roller skating rink,
- (n) gas or oil well equipment that is normally used above ground, or
- (o) mining machinery and equipment acquired for the purpose of gaining or producing income from a mine.

CLASS 11
50 per cent

Property not included in any other class that is

- (a) a book that is part of a lending library,
- (b) a die, jig or pattern.

CLASS 12
100 per cent

Property not included in any other class that is

- (a) chinaware, cutlery or glass tableware,
- (b) a medical or dental instrument costing less than \$50,
- (c) a mine shaft sunk after the mine came into production,
- (d) table linen, bed linen or blankets, or
- (e) a uniform.

CLASS 13

Property that is a leasehold interest except

- (a) an interest in a mine, oil or gas well or timber limit, and
- (b) that part of the leasehold interest that is included in another class by reason of sec. 1102(5) of these Regs.

CLASS 14

Property that is a patent, franchise, concession or license for a limited period in respect of property but not including

- (a) a franchise, concession or licence in respect of a mine, oil well, gas well or timber limit, or
- (b) a leasehold interest.

CLASS 15

Property that would otherwise be included in another class of this Schedule but for the fact that

- (a) it was acquired for the purpose of cutting and removing merchantable timber from a timber limit, and
- (b) it will be of no further use to the taxpayer after all merchantable timber has been removed from the limit.

SCHEDULE C

Sec. 1

1. For the purpose of sec. 1100(1)(e) of these Regs., the amount that may be deducted in computing the income of a taxpayer for a taxation year in respect of a timber limit is the lesser of

- (a) an amount computed on the basis of a rate (computed under sec. 2 of this Schedule) per cord or board foot cut in the taxation year, or
- (b) the undepreciated capital cost to the taxpayer as of the end of the taxation year (before making any deduction under sec. 1100 of these Regs., for the taxation year) of the timber limit.

Sec. 2

2. The rate for a taxation year is

- (a) if the taxpayer has not been granted an allowance in respect of the limit for any previous year, an amount determined by dividing the capital cost of the limit to the taxpayer minus the residual value by the total quantity of timber in the limit (expressed in cords

or board feet) as shown by a *bona fide* cruise, and

- (b) if the taxpayer has been granted or is deemed to have been granted an allowance in respect of the limit for a previous year,
 - (i) if no rate has been determined under subpara. (ii) the rate employed to determine the allowance for the most recent year for which an allowance was granted, and
 - (ii) where it has been established, by evidence filed with the Minister before the taxation year, that the quantity of timber that was in the limit was in fact substantially different from the quantity that was employed in determining the rate for the previous year, a rate determined by dividing the undepreciated capital cost to the taxpayer of the limit as of the commencement of the year minus the residual value thereof by the estimated remaining quantity of timber in the limit (expressed in cords or board feet) at the commencement of the year.

Sec. 3

3. In lieu of the deduction otherwise determined under this Schedule, a taxpayer may elect that the deduction for a taxation year be the lesser of
 (a) \$100, or
 (b) the amount received by him in the

taxation year from the sale of timber.

Sec. 4

4. In this Schedule, "residual value" means the estimated value of the property if the merchantable timber were removed.

SCHEDULE D**Sec. 1**

1. For the purpose of sec. 1100(1)(f) of these Regs. the amount that may be deducted in computing the income of a taxpayer for a taxation year in respect of property described in class 15 of Sch. B to these Regs. is the lesser of
 (a) an amount computed on the basis of a rate per cord or board foot cut in the taxation year, or
 (b) the undepreciated capital cost to the taxpayer as of the end of the taxation year (before making any deduction under sec. 1100 of these Regs. for the taxation year) of property of that class.

Sec. 2

2. Where all the property of the class is used in connection with one timber limit or section thereof, the rate per cord or board foot is the amount determined by dividing
 (a) the undepreciated capital cost to the

taxpayer as of the end of the taxation year (before making any deduction under sec. 1100 for the taxation year) of the property

by

(b) the number of cords or board feet of timber in the limit or section thereof as of the commencement of the taxation year as shown by deducting the quantity cut up to that time from the amount shown by the latest cruise.

Sec. 3

3. Where a part of the property of the class is used in connection with one timber limit or a section thereof and a part is used in connection with another limit or section thereof, a separate rate shall be computed for each part of the property, in the manner provided in sec. 2 of this Schedule, as though each part of the property were the taxpayer's only property of that class.

SCHEDULE E**Sec. 1**

1. For the purpose of sec. 1100(1)(g) of these Regs., the amount that may be deducted in computing the income of a taxpayer for a taxation year in respect of an industrial mineral mine described in sec. 1100(1)(g) of these Regs. is the lesser of

(a) an amount computed on the basis of a rate (computed under sec. 2 of this Schedule) per unit of mineral mined in the taxation year, or
 (b) the undepreciated capital cost to the taxpayer as of the end of the taxation year (before making any deduction under sec. 1100 of these Regs.) of the mine.

Sec. 2

2. The rate for a taxation year is

- (a) if the taxpayer has not been granted an allowance in respect of the mine for any previous year, an amount determined by dividing the capital cost to the taxpayer minus the residual value by the total number of units of commercially mineable material estimated as being in the property, and
- (b) if the taxpayer has been granted or is deemed to have been granted an allowance in respect of the mine for a previous year,

- (i) if no rate has been determined under subpara. (ii), the rate employed to determine the allowance for the most recent year for which an allowance was granted, or
- (ii) where it has been shown to the satisfaction of the Minister before the taxation year that the quantity

of commercially mineable material is, in fact, a different quantity from that employed in determining the rate for the previous year, a rate determined by dividing the capital cost minus the residual value by the quantity so shown.

Sec. 3

3. In lieu of the deduction otherwise determined under this Schedule, a taxpayer may elect that the deduction for a taxation year be the lesser of

- (a) \$100, or
- (b) the amount received by him in the taxation year from the sale of mineral.

Sec. 4

4. In this Schedule, "residual value" means the estimated value of the property if all commercially mineable material were removed.

QUEBEC CORPORATION TAX Deduction of Taxes Under Section 9

(From the Director of the Quebec Corporation Tax Service)

By reason of the special provisions existing in the Corporation Income Tax Acts of the various provinces which signed a tax agreement with the Federal Government, which provisions permit the carry-over of operating losses, a company with head office in this Province may be partly or totally exempted from the payment of the 5% tax otherwise exigible on the income earned in those provinces.

In such cases, it is deemed equitable to allow a deduction not exceeding the full amount of the 5% tax which would have

been payable had the said provisions not been in the statutes.

This concession will be granted through the medium of a distinct Order-in-Council in each case with retroactive effect to January 1, 1947.

It will be up to the company, of course, to indicate on its return or in a separate letter, the circumstances which brought about the non-payment or partial payment of the 5% tax to the agreeing provinces where it carries on business.

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